



SHIRE OF KONDININ
MINUTES OF MEETING
an Audit Risk and Improvement
Committee Meeting
ALL OPEN AND CONFIDENTIAL ITEMS
Audit Risk and Improvement Committee
Meeting

Held at the Hyden Community Resource Centre on 22 April 2026

This page is intentionally left blank.

Order of Business

1	Opening of Meeting	4
2	Acknowledgement of Traditional Owners and Dignitaries	4
3	Recording of Attendance	4
3.1	Attendance	4
3.2	Attendance by Telephone or Instantaneous Communication	4
3.3	Apologies	4
3.4	Approved Leave of Absence	4
3.5	Declarations of Disclosures of Interest	4
4	Application for Leave of Absence	5
5	Public Time	5
5.1	Public Question Time	5
5.2	Public Statement Time	5
6	Questions from Members without Notice	5
7	Announcements by Presiding Members without Discussion	5
8	Declaration of Members to have Given due Consideration to all Matters Contained in the Agenda Before the Meeting	5
9	Confirmation of Minutes of Previous Meetings	5
10	Reports of Officers	6
10.1	Planning & Assets	6
10.1.1	ARIC & Organisation Frameworks	6
10.2	Chief Executive Officer	10
10.2.1	2026 Local Government Determination	10
10.2.2	Shire of Kondinin Ordinary Meeting of Council - March 2026	16
10.2.3	Fuel and Construction Cost Risk Outlook	18
11	Business of an Urgent Nature	23
12	Close of Meeting	23
12.1	Date of Next Meeting	23
12.2	Closure	23

1 OPENING OF MEETING

The Presiding Member opened the meeting at 9.15am

2 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS AND DIGNITARIES

The Chief Executive Officer paid the Committee's respect to the traditional owners of the land upon which we meet and to their elders, past, present and emerging.

3 RECORDING OF ATTENDANCE

3.1 ATTENDANCE

Presiding Member C Mayfield (Presiding Member), Deputy Presiding Member T Utley (Deputy Presiding Member), Cr D Pool, Deputy Shire President Cr B Gangell, Cr M James, Staff Chief Executive Officer B Wright, Manager Corporate Services Staff V Bugna

3.2 ATTENDANCE BY TELEPHONE OR INSTANTANEOUS COMMUNICATION

MOTION

COMMITTEE RESOLUTION ARIC/26/005

Moved: Cr Beverley Gangell

Seconded: Cr Murray James

That the Audit, Risk and Improvement Committee (ARIC) approve the attendance of Councillor Pool at the ARIC meeting scheduled for 22 April 2026 by telephone, on the basis that exceptional circumstances prevent physical attendance, and that the Councillor be deemed present for the purposes of the meeting and quorum.

CARRIED 4/0

For: Catherine Mayfield, Tracey Utley, Beverley Gangell and Murray James

Against: Nil

Councillor Pool is in attendance by telephone.

3.3 APOLOGIES

Nil

3.4 APPROVED LEAVE OF ABSENCE

Nil

3.5 DECLARATIONS OF DISCLOSURES OF INTEREST

Nil

4 APPLICATION FOR LEAVE OF ABSENCE

Nil

5 PUBLIC TIME

5.1 PUBLIC QUESTION TIME

Nil

5.2 PUBLIC STATEMENT TIME

Nil

6 QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil

7 ANNOUNCEMENTS BY PRESIDING MEMBERS WITHOUT DISCUSSION

Nil

8 DECLARATION OF MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE AGENDA BEFORE THE MEETING

The Committee declared consideration by show of hands.

9 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

COMMITTEE RESOLUTION ARIC/26/006

Moved: Mrs Tracey Utley

Seconded: Cr Murray James

That the minutes of the Audit Risk and Improvement Committee Meeting of 10 February 2026 copies of which were previously circulated, are hereby confirmed as a true and correct record of the proceedings of that meeting.

CARRIED 5/0

For: Catherine Mayfield, Tracey Utley, Darren Pool, Beverley Gangell and Murray James

Against: Nil

10 REPORTS OF OFFICERS

10.1 PLANNING & ASSETS

10.1.1 ARIC & Organisation Frameworks

FILE NUMBER:

DATE: 17 April 2026

AUTHOR: Bruce Wright, Chief Executive Officer

AUTHORISED OFFICER: Bruce Wright, Chief Executive Officer

DISCLOSURE OF INTEREST: Author - Nil

Authoriser - Nil

ATTACHMENTS:

1. Organisation Enhancement Plan
2. ARIC Workplan

RECOMMENDATION

That Audit Risk and Improvement Committee:

1. Notes the ARIC Workplan dated 16 April 2026 and the Organisation Enhancement Plan dated 16 April 2026, and the alignment between the Committee's assurance activities and the management-led governance, risk and organisational reform program.
2. Is satisfied that the ARIC Workplan and Organisation Enhancement Plan collectively support the Shire's statutory obligations under the Local Government Act 1995, Local Government (Audit) Regulations 1996 (including Regulation 17), and associated financial management, procurement, risk and compliance legislation.
3. Endorses, from an assurance perspective, the continued staged implementation of the Organisation Enhancement Plan, noting that the primary risk relates to execution and embedding of reforms rather than the adequacy of the frameworks themselves.
4. Requests that progress against the Organisation Enhancement Plan and any emerging implementation risks be reported to ARIC periodically, with particular regard to procurement and contract management, risk management maturity, asset management and financial sustainability.

SUMMARY

The attached ARIC Workplan and Organisation Enhancement Plan collectively establish a structured and increasingly mature governance, risk and assurance framework for the Shire. Together, the documents demonstrate alignment between ARIC oversight responsibilities and management-led organisational reform, with a clear emphasis on legislative compliance, procurement integrity, risk management, asset management maturity and financial sustainability.

While core frameworks are in place, both documents identify areas requiring ongoing management attention to ensure implementation risk is controlled and intended benefits are realised.

VOTING REQUIREMENT

Simple Majority

COUNCIL'S ROLE

Executive

The substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

BACKGROUND

The ARIC Workplan sets out a comprehensive, cyclical program of assurance activities across financial reporting, risk management, internal audit, compliance and performance improvement. It confirms that several foundational assurance activities are complete or ongoing, including external audit review, financial health monitoring and procurement compliance, while also recognising that certain areas require continuous monitoring rather than one-off completion.

The Organisation Enhancement Plan provides the operational and structural reform pathway that underpins many of the risks and improvement areas identified in the ARIC Workplan. It outlines a whole-of-organisation reform agenda covering workforce structure, procurement and contract management, governance systems, enterprise risk management, asset management and financial sustainability. The Plan is being implemented on a staged basis, with several streams underway and others yet to commence.

FINANCIAL

The documents indicate no immediate unplanned financial impacts; however, several forward-looking implications are relevant to ARIC oversight:

- The Organisation Enhancement Plan anticipates long-term financial benefit through improved procurement controls, asset management maturity, and strengthened long-term financial planning, rather than short-term cost savings.
- There is a resource commitment implication, as successful delivery relies on sustained internal capacity and, in some areas, external support to complete reforms without degrading core service delivery.
- Failure to complete key reform elements (such as contract management systems or asset data maturity) would expose the Shire to long-term financial sustainability and value-for-money risks, rather than immediate budget overruns.

RISK

From an ARIC perspective, the key risks arising from the two documents are strategic and execution-based rather than procedural:

- Implementation risk, arising from the scale and breadth of the Organisation Enhancement Plan, particularly where multiple reform streams (governance, procurement, risk, asset management) are progressing concurrently.
- Control sustainability risk, where several ARIC workplan items are identified as requiring “ongoing management and maintenance”, indicating reliance on discipline and resourcing rather than completed system controls.
- Procurement and contract exposure, noting that procurement reform is underway but not fully embedded, increasing short-term exposure to inconsistency or reliance on case-by-case controls.
- Change fatigue and capability risk, particularly where workforce reform, new KPIs, updated delegations and revised governance frameworks are introduced within compressed timeframes.

POLICY

Policy Manual

STATUTORY*Local Government Act 1995 (WA)*

Establishes the governance framework for local governments, including Council and CEO roles, financial management responsibilities, audit requirements, delegation of authority, asset management, and organisational governance obligations.

Local Government (Audit) Regulations 1996 (WA)

In particular Regulation 17, which requires local governments to ensure appropriate systems and practices are in place for:

- internal control
- risk management
- internal audit
- legislative compliance

These requirements underpin the role, function and work program of the Audit, Risk and Improvement Committee.

Local Government (Financial Management) Regulations 1996 (WA)

Prescribe requirements relating to financial reporting, internal financial controls, procurement, payments, budgeting, and long-term financial planning, all of which are addressed through the ARIC Workplan and Organisation Enhancement Plan.

Local Government (Administration) Regulations 1996 (WA)

Provide the legislative basis for administrative processes including delegations, records management, organisational structure, employee conduct and governance arrangements.

Local Government (Functions and General) Regulations 1996 (WA)

Establish procurement thresholds, tendering requirements, exemptions and contract management obligations addressed through procurement and contract management reform streams.

Corruption, Crime and Misconduct Act 2003 (WA)

Sets obligations for the prevention, identification and reporting of misconduct and corruption, informing fraud control, ethics frameworks, procurement integrity and governance reform initiatives.

Auditor General Act 2006 (WA)

Governs audits conducted by the Office of the Auditor General and supports ARIC responsibilities relating to external audit oversight and implementation of audit recommendations.

State Records Act 2000 (WA)

Imposes statutory obligations for records creation, retention, control and disposal, which are explicitly referenced in governance, compliance and records management reform initiatives.

Local Government (Audit) Regulations 1996 – Compliance Audit Return (CAR)

Requires annual certification of legislative compliance, supported through compliance systems, calendars and monitoring mechanisms referenced in both documents.

Work Health and Safety Act 2020 (WA) and WHS Regulations 2022 (WA)

Establish employer obligations for work health and safety systems, risk management and contractor safety, addressed through WHS and enterprise risk reform streams.

STRATEGIC**Theme**

4. CIVIC LEADERSHIP

Goal

4.2 We are a compliant and resourced Local Government

Strategy

4.2.1 External audits and reviews confirm compliance with relevant Local Government legislation

4.2.2 Financial sustainability in achieving community aspirations

COMMENT

Taken together, the ARIC Workplan and Organisation Enhancement Plan demonstrate a coherent and aligned approach to strengthening governance, risk management, compliance and organisational performance. The primary challenge from an ARIC perspective is not the adequacy of the frameworks, but the sustained execution and embedding of reforms over time. Continued ARIC oversight, disciplined monitoring and periodic assurance will be critical to ensuring that implementation risks are managed and that the intended governance and financial benefits are realised.

CONSULTATION

Nil

COMMITTEE RESOLUTION ARIC/26/007

Moved: Cr Beverley Gangell

Seconded: Cr Murray James

That Audit Risk and Improvement Committee:

1. Notes the ARIC Workplan dated 16 April 2026 and the Organisation Enhancement Plan dated 16 April 2026, and the alignment between the Committee's assurance activities and the management-led governance, risk and organisational reform program.
2. Is satisfied that the ARIC Workplan and Organisation Enhancement Plan collectively support the Shire's statutory obligations under the Local Government Act 1995, Local Government (Audit) Regulations 1996 (including Regulation 17), and associated financial management, procurement, risk and compliance legislation.
3. Endorses, from an assurance perspective, the continued staged implementation of the Organisation Enhancement Plan, noting that the primary risk relates to execution and embedding of reforms rather than the adequacy of the frameworks themselves.
4. Requests that progress against the Organisation Enhancement Plan and any emerging implementation risks be reported to ARIC periodically, with particular regard to procurement and contract management, risk management maturity, asset management and financial sustainability.

CARRIED 5/0

For: Catherine Mayfield, Tracey Utley, Darren Pool, Beverley Gangell and Murray James

Against: Nil

10.2 CHIEF EXECUTIVE OFFICER

10.2.1 2026 Local Government Determination

FILE NUMBER:**DATE:** 17 April 2026**AUTHOR:** Bruce Wright, Chief Executive Officer**AUTHORISED OFFICER:** Bruce Wright, Chief Executive Officer**DISCLOSURE OF INTEREST:** Author - Nil

Authoriser - Nil

ATTACHMENTS: 1. 2026 - Local Government Determination**RECOMMENDATION**

That Audit Risk and Improvement Committee

1. Notes the contents of this report, and
2. Endorses the Determination and is satisfied, based on the information provided, that it does not give rise to any unmitigated governance, compliance or financial risks to the Shire of Kondinin.

SUMMARY

The Tribunal has determined a general economic increase of 3.5% across most remuneration categories, including:

- CEO remuneration bands
- elected member attendance fees (per meeting and annual)
- committee and prescribed meeting fees
- independent committee member fees
- mayor/president/chair annual allowances

VOTING REQUIREMENT

Simple Majority

COUNCIL'S ROLE**Executive**

The substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

Legislative

Includes adopting local laws, town planning schemes and policies.

BACKGROUND

The Determination is made under sections 7A and 7B of the Salaries and Allowances Act 1975. It sets:

- remuneration bands for local government Chief Executive Officers (CEOs), and
- minimum and maximum ranges for fees, allowances and reimbursable expenses for elected council members under the Local Government Act 1995.

The Tribunal is required to issue determinations at intervals of no more than 12 months. The 2026 Determination was signed on 2 April 2026 and applies from 1 July 2026.

The Tribunal has applied a general economic increase of 3.5% across most components of the Determination, including:

- CEO remuneration bands
- councillor meeting attendance fees
- committee and prescribed meeting fees
- independent committee and ARIC member fees (minimums only)
- mayor/president/chair annual allowance ranges

Housing and motor vehicle arrangements remain unchanged.

CEO Remuneration and Regional / Isolation Allowance (Summary)

CEO remuneration bands have increased by 3.5%.

- No changes have been made to local government band classifications.
- Councils retain discretion to set CEO remuneration within the applicable band.
- The Regional / Isolation Allowance (RIA) has been recalculated and eligibility expanded, while remaining discretionary and subject to justification.

These matters are noted for completeness, noting that final decisions rest with Council rather than ARIC.

Governance consideration:

Any adjustment to the CEO's Total Reward Package remains a Council responsibility and must be supported by documented assessment and transparency.

Councillor, President and Deputy President Fees and Allowances

Governance Framework

The Determination:

- does not automatically increase councillor or President fees, and
- does not set actual payments.

Instead, it prescribes minimum and maximum ranges. Council must formally resolve the actual fees and allowances it chooses to pay, within those ranges. From a governance perspective, councillor remuneration is expressly intended to compensate for part-time, elected office duties rather than to provide full-time income.

Councillor Meeting Attendance Fees (Per Meeting)

If Council elects to pay per-meeting attendance fees (rather than annual attendance fees), the following Band 4 ranges apply:

Councillor – Council Meetings

- Minimum: \$109 per meeting

- Maximum: \$280 per meeting

President – Council Meetings

- Minimum: \$109 per meeting
- Maximum: \$570 per meeting

These fees are payable only when meetings are attended.

Committee and Prescribed Meeting Fees

For committee meetings and prescribed meetings (including committee participation by councillors):

Band 4 range:

- Minimum: \$57 per meeting
- Maximum: \$140 per meeting

These rates apply equally to councillors and the President when attending committee or prescribed meetings.

Annual Attendance Fees (In Lieu of Per-Meeting Fees)

Council may resolve, by absolute majority, to pay annual attendance fees instead of per-meeting fees. Under Band 4, the annual ranges are:

Councillor – Annual Attendance Fee

- Minimum: \$4,161
- Maximum: \$11,023

President – Annual Attendance Fee

- Minimum: \$4,161
- Maximum: \$22,646

If adopted, annual attendance fees replace all council, committee and prescribed meeting fees. Councillors cannot be paid both.

President's Annual Allowance (Separate to Meeting Fees)

In addition to any meeting attendance fees, Council may pay the President an annual allowance recognising:

- leadership responsibilities
- civic and representational duties
- additional statutory obligations

For Band 4, the President annual allowance range is:

- Minimum: \$596
- Maximum: \$23,257

Payment of this allowance is discretionary and must be set by Council resolution.

Deputy President Allowance

The Deputy President allowance remains set at 25% of the President's annual allowance.

If the Deputy acts continuously in the President's role for four months or more, the Deputy becomes entitled to the full President allowance for that period.

Regional / Isolation Allowance (RIA)

The Tribunal undertook a comprehensive review of the RIA, resulting in:

- recalculation of allowance components using updated ARIA++ and SEIFA data;
- expansion of eligibility to include 17 additional local governments, including several in the Wheatbelt and Great Southern regions; and
- confirmation that the allowance is discretionary, not mandatory.

Relevance to ARIC:

Where applied, payment of the RIA must be:

- justified against attraction and retention factors;
- transparent; and
- capable of withstanding audit and review.

Independent ARIC Member Fees

The Determination includes specific changes relevant to the ARIC.

Independent Audit, Risk and Improvement Committee member minimum fees have increased by 3.5%.

The maximum fee remains unchanged, noting that these rates were only recently determined effective 1 January 2026.

Current fee range per ARIC meeting (all bands):

- Minimum: \$110
- Maximum: \$1,215

Council must resolve ARIC fees, ensuring that they:

- reflect the skills and expertise required, and
- represent value for money.

FINANCIAL

Any changes arising from this Determination:

- are known and quantifiable, and
- can be accommodated through normal budget and long-term financial planning processes.

No automatic increases are imposed.

RISK

Key Governance and Risk Considerations

- Councillor and President payments must sit within Tribunal-prescribed ranges.
- All amounts must be supported by clear Council resolutions.
- Payments and allowances must be correctly disclosed in financial reporting.
- The Tribunal has explicitly rejected treating councillor roles as full-time positions comparable to Members of Parliament.
- The 3.5% increase represents a known and quantifiable adjustment that can be incorporated into the 2026/27 Long Term Financial Plan and annual budget.

POLICY

Financial Management

STATUTORY

The Determination is issued under, and must be applied consistently with, the following legislation:

Salaries and Allowances Act 1975

- Establishes the Salaries and Allowances Tribunal.
- Requires the Tribunal to determine remuneration ranges for local government CEOs and the fees and allowances payable to elected council members.
- Limits Council discretion to setting remuneration within the Tribunal-determined ranges.

Local Government Act 1995

Part 5, Division 8 governs:

- meeting attendance fees,
- annual attendance fees,
- allowances for Presidents and Deputies, and
- reimbursement of expenses.

Requires Council resolutions (often by absolute majority) to give effect to adopted fees and allowances & confirms that elected council member roles are part-time in nature.

Local Government (Administration) Regulations 1996

- Prescribe eligible meeting types, reimbursable expenses, and procedural requirements.
- Regulate the interaction between attendance fees, annual fees and reimbursement arrangements

STRATEGIC**Theme**

4. CIVIC LEADERSHIP

Goal

4.2 We are a compliant and resourced Local Government

Strategy

4.2.2 Financial sustainability in achieving community aspirations

4.2.1 External audits and reviews confirm compliance with relevant Local Government legislation

COMMENT

The 2026 Determination introduces a modest sector-wide adjustment while maintaining the existing governance framework. Councillor, President and Deputy President fees remain discretionary within well-defined ranges and continue to be subject to Council oversight.

CONSULTATION

Nil

COMMITTEE RESOLUTION ARIC/26/008

Moved: Cr Murray James

Seconded: Cr Beverley Gangell

That Audit Risk and Improvement Committee

1. Notes the contents of this report, and
2. Endorses the Determination and is satisfied, based on the information provided, that it does not give rise to any unmitigated governance, compliance or financial risks to the Shire of Kondinin.

CARRIED 5/0

For: Catherine Mayfield, Tracey Utley, Darren Pool, Beverley Gangell and Murray James

Against: Nil

10.2.2 Shire of Kondinin Ordinary Meeting of Council - March 2026

FILE NUMBER:**DATE:** 17 April 2026**AUTHOR:** Bruce Wright, Chief Executive Officer**AUTHORISED OFFICER:** Bruce Wright, Chief Executive Officer**DISCLOSURE OF INTEREST:** Author - Nil
Authoriser - Nil**ATTACHMENTS:** Nil**UPDATE**

The Ordinary Council Meeting held on 25 March 2026 was conducted in accordance with legislative requirements, with all resolutions recorded and carried by the required majorities. No procedural irregularities or governance breaches were identified from a review of the adopted minutes.

ARIC-Relevant Governance Matters**Audit, Risk and Improvement Committee**

Council:

- formally received and adopted the minutes of the Audit, Risk and Improvement Committee meeting held on 10 February 2026.
- endorsed the recommendations contained within those minutes without amendment.

Financial Management and Compliance**Monthly Financial Reporting**

Council received and noted:

- the Monthly Financial Report for the period ending 28 February 2026, including the Statement of Financial Activity and Statement of Financial Position.

Key assurance points:

- reporting was undertaken in accordance with the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- no material compliance issues were noted by Council.
- financial risks were identified primarily as non-compliance risk, which was mitigated through timely reporting and Council consideration.

Accounts Paid

Council:

- received and noted the List of Accounts Paid for February 2026, covering all payments made under delegated authority by the Chief Executive Officer.

This confirms:

- appropriate use of delegation under Regulation 13 of the Local Government (Financial Management) Regulations 1996; and
- transparency and accountability in financial transactions.

Policy and Control Environment

Employee Code of Conduct

Council:

- noted and endorsed the updated Shire of Kondinin Employee Code of Conduct.

Assurance significance:

- the Code aligns with section 5.51A of the Local Government Act 1995 and Part 4A of the Local Government (Administration) Regulations 1996;
- updates strengthen controls around conflicts of interest, secondary employment and ethical conduct;
- reduces governance, compliance and reputational risk.

Asset Management and Disposal

Several matters relating to asset disposal and leasing were considered, including:

- proposed disposal of Shire-owned infrastructure assets; and
- community leasing arrangements.

Key ARIC-relevant observations:

- decisions were supported by legal advice where required;
- statutory exemptions (e.g. tender exemptions under Regulation 30) were clearly documented; and
- risk assessments addressed financial, legal and operational considerations.

Confidential Items and Probity

Council closed the meeting in accordance with section 5.23 of the Local Government Act 1995 to consider:

- award of a significant RFQ; and
- the CEO probation review and confirmation of appointment.

From an assurance perspective:

- conflicts of interest were declared and appropriately managed;
- governance separation was maintained (CEO report prepared by the Shire President); and
- decisions were carried by the required absolute or simple majority, as applicable.

Overall Assurance Statement

Based on the ARIC-relevant matters arising from the Ordinary Council Meeting of 25 March 2026:

- legislative and financial compliance requirements were met;
- governance processes were followed; and
- no unmitigated risks or control weaknesses requiring escalation to ARIC were identified.

This is an Information Report and Update only.
--

10.2.3 Fuel and Construction Cost Risk Outlook

FILE NUMBER:**DATE:** 17 April 2026**AUTHOR:** Bruce Wright, Chief Executive Officer**AUTHORISED OFFICER:** Bruce Wright, Chief Executive Officer**DISCLOSURE OF INTEREST:** Author - Nil

Authoriser - Nil

ATTACHMENTS: 1. CCF Eslake Report Fuel Crisis Civil Impacts**RECOMMENDATION**

That Audit Risk and Improvement Committee:

1. Notes the emerging current, medium and long-term risks to infrastructure delivery arising from fuel and construction cost volatility, as outlined in the CCF Eslake report, and,
2. Considers these risks to warrant ongoing monitoring and management through Council's financial, procurement and risk frameworks.

SUMMARY

This report provides the Audit, Risk and Improvement Committee with an assessment of the current, medium-term and long-term financial and delivery risks arising from fuel and construction cost volatility identified in the attached Civil Contractors Federation (CCF) report.

The analysis focuses on how those risks translate to the Shire of Kondinin's operating context, noting the Shire's reliance on civil works, road construction, freight-intensive materials and external contractors.

VOTING REQUIREMENT

Simple Majority

COUNCIL'S ROLE**Executive**

The substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

BACKGROUND

Recent global geopolitical events and ongoing supply-chain pressures have resulted in heightened volatility in fuel prices and construction input costs across Australia. These cost pressures are being felt acutely in the civil construction sector, which is highly reliant on diesel fuel, freight-intensive materials and petroleum-derived products such as bitumen, asphalt, pipes and geotextiles. Regional local governments, including the Shire of Kondinin, are particularly exposed due to longer transport distances, smaller contractor markets and a strong reliance on externally delivered civil works.

While these pressures are largely external to the Shire's direct control, they present identifiable current, medium-term and longer-term risks to the affordability, timing and delivery of infrastructure and asset renewal programs. Understanding the nature and trajectory of these fuel and construction cost risks is therefore important to inform strategic financial planning, capital works prioritisation and procurement decisions, and to support appropriate assurance and oversight by the Audit, Risk and Improvement Committee.

Fuel Cost Risk – Implications for the Shire of Kondinin

Current Risk Context

The attached report identifies that the Middle East conflict commencing in late February 2026 resulted in an immediate and severe escalation in global oil prices, which flowed rapidly through to Australian diesel prices. Terminal gate diesel prices increased by approximately 145 cents per litre (around 89%) within weeks, with price volatility persisting beyond the initial shock.

For the Shire of Kondinin, this creates an immediate exposure due to the heavy reliance on diesel-powered plant, equipment and freight, both for internal works and for externally contracted services. Regional local governments such as Kondinin are particularly sensitive to fuel price movements because longer haul distances apply to quarry materials, asphalt, bitumen, prefabricated assets and general freight. Even where the Shire is not directly purchasing fuel, these costs are embedded in contractor pricing and variation claims.

In the current period, the primary risk to the Shire is not fuel availability but cost pass-through pressure, including increased tender prices, claims for variations from contractors under stress, and reduced capacity or appetite among local and regional contractors to tender for Shire works.

Medium-Term Fuel Risk

Looking forward over the next 6 to 24 months, the report notes that Australia imports approximately 90% of its diesel, with almost all refined through Asian refineries dependent on Middle Eastern crude oil passing through the Strait of Hormuz. Any prolonged conflict, escalation, or shipping disruption materially increases the risk of both sustained high prices and potential supply constraints.

For the Shire of Kondinin, the medium-term risk is that fuel volatility becomes embedded in local construction pricing. Contractors are likely to price in contingency premiums to manage uncertainty, particularly for road, drainage and earthworks projects where diesel consumption is unavoidable. This risk is magnified in regional WA markets where contractor numbers are smaller and competition is limited.

The report draws on past experience following Covid-19 and the Ukraine conflict, highlighting that sharp input price shocks have historically led to a significant increase in contractor insolvencies. For the Shire, contractor insolvency mid-project represents a material delivery and financial risk, including delay costs, re-procurement expenses and potential reputational impacts.

Long-Term Fuel Risk

In the longer term, the report suggests that recurring global energy instability may result in structurally higher baseline fuel costs, even once the current conflict subsides. Fuel volatility is therefore likely to remain a permanent feature of infrastructure delivery rather than a temporary shock.

For Kondinin, this implies that future Long-Term Financial Planning and asset renewal assumptions may require recalibration, particularly for roads, transport infrastructure and remote assets that are inherently fuel-intensive to construct and maintain. While the risk is less acute than in the current and medium term, it is strategic in nature and relevant to the sustainability of the capital works program.

Building and Construction Cost Risk – Implications for the Shire of Kondinin

Current Building and Material Cost Pressures

In addition to fuel costs, the report highlights sharp increases in the prices of construction inputs that are directly or indirectly derived from petroleum products, including bitumen, asphalt, pipes,

geotextiles, and plastics. Industry evidence indicates price increases of 35–50% across many of these inputs since February 2026.

For the Shire of Kondinin, these cost pressures are particularly relevant to road sealing, drainage works, water infrastructure and building maintenance. Even relatively small projects can experience disproportionate cost escalation due to freight and material surcharges in regional locations. The immediate risk is that approved budgets for 2025-26 and early 2026-27 projects may no longer accurately reflect market costs.

Medium-Term Construction Cost Risk

Over the medium term, the report identifies a structural exposure across all levels of government, noting that approximately two-thirds of civil engineering work yet to be completed nationally is for public-sector clients, including local governments. This creates ongoing competition for a limited pool of contractors and materials, particularly in regional areas.

For the Shire of Kondinin, the key medium-term risk is that escalating material and construction costs lead to deferral, downsizing or reprioritisation of capital works, potentially affecting service levels and community expectations. The prevalence of fixed-price contracting increases the likelihood that contractors will either avoid risk-exposed projects or seek aggressive contract terms to protect themselves.

Long-Term Construction Cost Risk

In the longer term, the report cautions that if cost escalation mechanisms are not better addressed at a system level, construction pricing is likely to reset permanently at a higher level, with volatility priced into tenders as a matter of course.

For Kondinin, this presents a strategic risk to the affordability and timing of long-term infrastructure renewal, particularly for roads and community assets that form a core part of the Shire's service delivery obligations. While this risk does not require immediate operational action, it warrants ongoing monitoring through financial strategy and asset management planning.

FINANCIAL

The attached report makes clear that fuel and building cost pressures are external, macro-economic risks beyond the direct control of local governments. However, their impacts on the Shire of Kondinin are foreseeable, material and potentially compounding when combined with regional delivery constraints and fixed-price contracting structures.

From an Audit, Risk and Improvement Committee perspective, these risks primarily manifest as financial, delivery and sustainability risks, rather than compliance breaches. Appropriate oversight therefore lies in monitoring exposure, ensuring assumptions remain realistic, and confirming that management responses and contingency planning remain proportionate.

RISK

- Sustained fuel price volatility may increase the cost of civil works delivered for the Shire, particularly road construction and maintenance, due to the heavy reliance on diesel-powered plant, equipment and freight in regional locations.
- Contractor financial stress arising from fuel cost escalation may increase the risk of project delays, variation claims or contractor insolvency, particularly where fixed-price contracts limit the ability to absorb cost shocks.

- Reduced contractor participation in tenders may occur if fuel price uncertainty is priced into bids or deters contractors from pursuing regional projects, resulting in reduced competition and higher contract prices.
- Embedded fuel cost premiums in future tenders may increase the long-term cost of infrastructure delivery and impact the affordability of the Shire's capital works program.
- Supply disruption or rationing risk, while currently low, may materially affect the delivery timelines of fuel-dependent works should broader national supply pressures escalate.
- Escalating costs of petroleum-derived construction inputs (including bitumen, asphalt, pipes and geotextiles) may lead to budget overruns or scope reductions for planned works.
- Increased transport and freight costs for bulk materials may disproportionately impact regional projects, further increasing costs relative to metropolitan benchmarks.
- Capital works deferral risk may arise if available budgets cannot accommodate sustained increases in construction costs, potentially impacting asset condition and service levels over time.
- Higher risk pricing in construction tenders may reduce value for money outcomes as contractors seek to protect against future input cost volatility.
- Long-term structural cost inflation in civil construction may require reassessment of long-term financial planning assumptions, particularly for road renewal and infrastructure replacement programs.
- Combined fuel and material cost pressures may compound delivery risk for infrastructure projects, increasing exposure to delays, contract disputes and reputational risk.
- Mismatch between approved budgets and prevailing market costs may reduce the Shire's ability to deliver planned works within adopted financial frameworks.
- Increased reliance on external contractors under volatile market conditions may heighten the Shire's exposure to external economic risks beyond direct operational control.

POLICY

Nil

STATUTORY

Nil

STRATEGIC

Theme

4. CIVIC LEADERSHIP

Goal

4.2 We are a compliant and resourced Local Government

Strategy

4.2.1 External audits and reviews confirm compliance with relevant Local Government legislation

4.2.2 Financial sustainability in achieving community aspirations

COMMENT

Fuel price volatility and escalating construction input costs represent material external risks to the Shire's infrastructure delivery and financial planning. While these pressures are largely outside the Shire's direct control, they have the potential to impact project affordability, contractor capacity and the timing of capital works, particularly in a regional context. Ongoing monitoring of market conditions

and their implications for capital planning, procurement and budget assumptions remains appropriate from an assurance and governance perspective.

CONSULTATION

Nil

COMMITTEE RESOLUTION ARIC/26/009

Moved: Cr Beverley Gangell

Seconded: Cr Murray James

That Audit Risk and Improvement Committee:

1. Notes the emerging current, medium and long-term risks to infrastructure delivery arising from fuel and construction cost volatility, as outlined in the CCF Eslake report, and,
2. Considers these risks to warrant ongoing monitoring and management through Council's financial, procurement and risk frameworks.

CARRIED 5/0

For: Catherine Mayfield, Tracey Utley, Darren Pool, Beverley Gangell and Murray James

Against: Nil

11 BUSINESS OF AN URGENT NATURE

Nil

12 CLOSE OF MEETING

12.1 DATE OF NEXT MEETING

To be held at 9am at Hyden Community Resource Centre on 9 June 2026.

12.2 CLOSURE

The Meeting closed at 9.51am.